

February 19, 1945

FCIC COTTON HANDBOOK FOR THE AGENT

1945

The FCIC Cotton Handbook is designed for the use of the agent in selling crop insurance in 1945. It is intended to serve a twofold purpose. First, the main provisions of the cotton crop insurance program are briefly outlined for the convenience of the agent. The regulations should be studied, however, to obtain a more complete knowledge of the provisions of the program. Second, typical examples are included for the guidance of the agent in the preparation and execution of applications as well as the agent's sales report.

I. PRINCIPLE PROVISIONS OF THE 1945 COTTON CROP INSURANCE PROGRAM

A. Scope of the Program

1. An application may be submitted by a landlord, owner, tenant, or sharecropper to cover his interest in the crop at the beginning of planting.
2. The program provides for insurance in 1945 only on American Upland cotton.
3. The program provides for insurance against loss in yield of lint cotton - and of cottonseed, if the producer so elects.
4. The applicant may request that a maximum of either 75 or 50 percent of the average yield be insured.
5. One application covers the applicant's interest in all farms located, or considered to be located, in the county. If a person is acting in a fiduciary or representative capacity, separate applications must be submitted in each capacity in which insurance is desired.

B. The Insurance Contract

1. The application, when accepted by the Corporation, together with the regulations, becomes the insurance contract.
 2. The applicant's contract (a copy of the accepted application and a copy of the regulations) will be mailed to him by the Corporation.
 3. The contract provides that insurance attaches when the crop is planted. However, insurance will not attach to any acreage put to another use before it is too late to replant to cotton.
 4. Insurance ends upon weighing in at the gin, or disposal of the harvested crop before weighing in at the gin.
- 6 1045

5. The contract covers loss in yield of lint cotton (and cottonseed, if insured) due to unavoidable causes, including drought, flood, hail, wind, frost, winter-kill, lightning, fire, excessive rain, snow, wild-life, hurricane, tornado, insect infestation, plant diseases, and such other unavoidable causes as may be determined by the Board of Directors of the Corporation.
6. The contract does not cover loss due to neglect, theft, use of defective or unadapted seed, failure properly to plant, care for, or harvest the crop, etc. Neither does it cover loss due to war shortages.
7. The contract provides that the right to an indemnity may be assigned for a loan or other obligation.
8. The contract provides for somewhat lower coverage on acreage released during the early growing season, with higher coverage as the season progresses. This progressive coverage is explained in Part IV of this handbook.

C. Premiums

1. The premiums do not include any charge for the administrative cost, as this cost is paid by the Federal Government.
2. In executing the application for crop insurance, the applicant executes a note for payment of the premium. The note matures about harvest-time. A co-signer is required unless the applicant is considered a good credit risk.
3. Immediately after planting, the insured must submit a report of the acreage planted to cotton. The premium is computed in pounds on the basis of this acreage report. The premium pounds will be converted to dollars based on the cash equivalent price.
4. The premium note may be paid in cash. It may also be collected in whole or in part by deductions from:
 - (a) Any indemnity payable
 - (b) The proceeds of any commodity loan
 - (c) Any payment made to the insured through a program administered by the United States Department of Agriculture or the War Food Administration.
5. Payment of premium with the application should never be discouraged and may be made to the agent. Such payment must be by check, money order, or bank draft, and not by cash. However, cash payments may be made at the office of the county association at any time. Payments other than cash must be made payable to the order of the Treasurer of the United States.
6. Payments in excess of the amount of the premium may be refunded.
7. If cottonseed is insured, the premium for lint cotton will be

increased by 20 percent to provide the premium for cottonseed.

8. The premium note bears no interest before maturity. At maturity, a "grace" period of two calendar months is provided for payment. Interest at the rate of one-half of one percent per month or portion thereof, beginning at maturity, will be charged on any amount not paid by the end of the "grace" period.
9. The premium can be made:
 - (a) 10 percent lower if the producer insures continuously for five years without a loss for which an indemnity is paid, or
 - (b) 25 percent lower if the producer lives in a designated high-cost area, insures continuously, and accumulates a premium reserve equal to or greater than his insured production.
10. The minimum premium for an insurance contract is 15 pounds of lint cotton.

D. Losses

1. If, at any time, a loss is probable, the county committee should be immediately notified in writing by the insured.
2. Any acreage put to another use before it is too late to replant cotton shall not be considered insured acreage.
3. If the crop is ~~totally~~ or substantially destroyed after it is too late to replant cotton, the acreage may be put to another use only with the consent of the Corporation.
4. The loss must be caused by one or more hazards insured against, or no claim for loss will be payable.
5. A claim for loss must be submitted to the Corporation within 60 days after the time of loss. The claim shall be on the form prescribed by the Corporation.
6. The amount of lint cotton loss for any insurance unit will be the insured production minus the insured interest in the harvested and appraised production. If cottonseed is insured, the amount of lint cotton loss will be increased by 20 percent to cover the loss of cottonseed.
7. Indemnities will be paid by the issuance of a certificate of indemnity which will show thereon the number of pounds of indemnity, and which will bear an expiration date.
8. Settlement under the certificate of indemnity will be made, upon request of the insured, in cash or in cotton. The certificate may also be used to obtain a loan from the Commodity Credit Corporation, if loans on certificates of indemnity are available.

E. Transfer of Interest

1. If any interest in the insured crop is transferred to another person

the county committee should be immediately notified in writing by the transferor.

2. If there is a transfer of interest before a loss occurs, the indemnity will be payable to the person or persons having the insured interest in the crop at the time of loss.

F. Average Yields and Premium Rates

The farm average yield and premium rate were established by the county committee in accordance with instructions issued by the Corporation. They were established from actual production records, or by appraisal if production records were not available.

G. Minimum Participation

The Federal Crop Insurance Act requires that a minimum number of farms must be insured in each county before insurance will be provided. The submission of applications covering 50 farms will meet this minimum. In counties where less than 150 farms normally produce any crops authorized to be insured, applications must be submitted covering at least one-third of the farms normally producing such crops in order to meet the minimum.

* * * * *

The following space is provided for the agent to make any notes or comments that may be useful to him:

This image shows a single sheet of aged, cream-colored paper with horizontal ruling lines. The lines are evenly spaced and run across the width of the page. There is no handwriting or printed text on the paper.

II. AGENT'S SALES REPORT

The following is a typical example of how the agent's sales report should be prepared by the agent.

Form FCI-1
UNITED STATES DEPARTMENT OF AGRICULTURE
Federal Crop Insurance Corporation
February 1945

sheet 1 of 1 sheets

AGENT'S SALES REPORT

State Texas

Cotton
Name of Crop

County Lubbock

Name of applicant	Address of applicant	Farm serial number 1/	Relationship to farm 2/	Remarks
Joe Brown	Rt. 2, Lubbock, Texas	100	owner-operator	
" "	" " "	101	landlord	
John Doe	Rt. 2, Lubbock, Texas	101	share tenant	Joe Brown
Joe Doe	Rt. 2, Lubbock, Texas	1397	owner-operator	
" "	" " "	1865	cash-tenant	John Smith

- 1/ List the farm serial number for each farm in the county on which the applicant has an interest in the crop to be insured.
- 2/ State whether the applicant is landlord, owner-operator, cash tenant, share tenant, or sharecropper and if the applicant is a tenant or sharecropper give the landlord's name in the "remarks" column.

March 17, 1945
(Date)

Agent's signature Richard Roe

The original of the agent's sales report shall be forwarded to the office of the county association each day, together with all copies of the signed applications. The copy of the report shall be kept by the agent.

III: PREPARATION AND EXECUTION OF THE APPLICATION

The following is a typical example of how the application should be prepared and executed before it is forwarded by the agent to the office of the county association. Care must be exercised by the agent to see that all signatures are properly affixed on the applications, particularly those of persons acting in a fiduciary or representative capacity.

Form FCI-12-C

U.S. DEPARTMENT OF AGRICULTURE

Federal Crop Insurance Corporation

January 1945

Budget Bureau No. 40-RL202

Approval expires May 1, 1946

(State and county code and identification number)

Lubbock (County) Texas (State)

APPLICATION FOR AMERICAN UPLAND COTTON CROP INSURANCE FOR 1945

(Pursuant to the Federal Crop Insurance Act, as amended)

- A. The undersigned applicant, as evidenced by his signature in Item F below, hereby applies to the Federal Crop Insurance Corporation (herein called "the Corporation") for insurance to cover his interest as landlord, owner, tenant, or sharecropper in the American Upland Cotton crop to be planted in 1945. The application covers all insurance units located, or considered for crop insurance purposes to be located, in the county designated above, in which the applicant has an interest at the beginning of planting. The insurance shall cover loss in yield of lint cotton (and cottonseed, if insured) due to unavoidable causes, including drought, flood, hail, wind, frost, winter-kill, lightning, fire, excessive rain, snow, wildlife, hurricane, tornado, insect infestation, plant disease, and such other unavoidable causes as may be determined by the Board of Directors of the Corporation.
- B. AVERAGE YIELD AND PREMIUM RATE PER ACRE.—The average yield(s) and premium rate (s) per acre for each insurance unit covered by the contract shall be those established by the Corporation for the contract and shall be on file in the office of the county association.
- C. PERCENT MAXIMUM COVERAGE APPLIED FOR: 75% D. COTTON SEED INSURED: Yes (enter Yes or No)
- E. GRADE AND STAPLE FOR THE PAYMENT OF PREMIUMS AND INDEMNITIES: (enter 50% or 75%)
Middling: 15/16", 1", 1-1/16", or 1-1/8" (enter one: 15/16" or 1-1/8")
It is understood and agreed that if the grade and staple of cotton to be used as the basis for the payment of premiums and indemnities are not entered above, or if the grade and staple of cotton designated by the applicant is not customarily grown in the area, the Corporation may enter or change the grade and staple. The grade and staple of cotton to be used as the basis for the payment of premiums and indemnities shall be those determined by the Corporation.
- F. NOTE FOR PREMIUM.—Subject to the terms and conditions of Items A through J hereof, all made a part of this note, the undersigned applicant promises to pay to the order of the Federal Crop Insurance Corporation, on or before the applicable maturity date specified in the 1945 Cotton Crop Insurance Regulations, the amount of premium due from him under the contract, either in cash or cotton, or both, with interest after maturity on any unpaid portion thereof at the rate of one-half of one percent for each calendar month or fraction thereof, except that no interest will be charged on any amount that is paid within two calendar months after maturity.

Only one grade and staple length shall be designated and it shall be one shown on the application.

Any unpaid amount of this note (either before or after the maturity date) may be deducted from any indemnity payable under the contract, from the proceeds of any commodity loan to the insured, and from any payment made to the insured under the Soil Conservation and Domestic Allotment Act, as amended, or any other act of Congress or program administered by the United States Department of Agriculture or the War Food Administration.

Name and Address of Applicant (type or print):

Name: John Doe

Address: Rt. 2, Lubbock, Texas

Joe Brown, Rt. 2, Lubbock, Texas

(Co-signer - Name and Address - Type or Print)

Mrs. John Doe, Rt. 2, Lubbock, Texas

(Beneficiary - Name and Address - Type or Print)

Signature should be with ink or indelible pencil

John Doe (Signature of Applicant) (Date) March 17, 1945

Richard Roe (Witness to applicant's signature)

Joe Brown (Signature of co-signer) (Date) March 13, 1945

Agent must sign as witness. A second witness is required by some States if applicant's signature is by mark.

This must agree with applicant's signature

Unless the applicant is considered a good risk, the estimated amount of the premium shall be collected in advance or a satisfactory co-signer must be obtained. The co-signer must be a responsible person such as landlord, operator, furnishing merchant, etc.

Designation is optional

H. OBLIGATION OF CO-SIGNER.—The co-signer, if any, of the premium note, as evidenced by his signature in Item F above, is a surety for the payment of the note and is in no other way a party to the contract.
II. RECOMMENDATION AND CERTIFICATION BY THE COUNTY COMMITTEE.—The member of the County Agricultural Conservation Committee, on behalf of such committee, as evidenced by his signature affixed in such capacity below, recommends acceptance of the application and certifies that, to the best of its knowledge and belief, the application has been submitted in accordance with the provisions of the 1945 Cotton Crop Insurance Regulations and any amendments thereto, and that, if the signature of the applicant in Item F has been affixed by a person who signed as fiduciary or agent, such person had authority to act in such capacity.

194

(Date)

3. ACCEPTANCE BY THE FEDERAL CROP INSURANCE CORPORATION.—It is understood and agreed that upon acceptance of the application by a duly authorized representative of the Corporation, as evidenced by his approval below, the insurance contract shall be in effect, provided the application has been submitted in accordance with the provisions of the application and the 1945 Cotton Crop Insurance Regulations. It is further understood and agreed that the accepted application and the 1945 Cotton Crop Insurance Regulations, including any amendments thereto, constitute the contract between the Corporation and the insured.

THE FEDERAL CROP INSURANCE CORPORATION

194

(Date)

By: (Authorized Representative)

All copies of the signed application, including the producer's copy, shall be forwarded to the office of the county association each day together with the original of the agent's sales report and any premiums that may have been collected. Upon acceptance of the application by the Corporation, the applicant's copy thereof and a copy of the regulations will be mailed to him.

IV. AMOUNT OF COVERAGE AT VARIOUS STAGES OF PRODUCTION

The insurance of a specified yield per acre was one of the most important features of the cotton crop insurance program in 1942 and 1943. However, experience in these two years demonstrated certain inequities in this plan of insurance. One of the most important inequities was in the treatment of two insured growers - one of whom produced the insured yield while the other had a total crop failure early in the season. The first grower incurred substantially all, if not all, of the cost of production, whereas the second grower saved all of the harvesting and ginning costs as well as other production costs and was paid a total loss. He may have also received an income from an alternative crop. In such a case, it frequently was more profitable to have a loss than to produce a crop. The inequity also exists, though to a lesser extent, when one insured grower experiences a complete loss before the time of harvest while a second grower harvests only a part of a crop. Both growers obtained the insured yield either from actual production or an indemnity, yet the first grower incurred no harvesting cost.

The present crop insurance program does not alter the feature of yield insurance but it does provide for reducing the coverage in the event of loss so that it will not be more profitable to experience a loss than to produce a crop. The maximum insured production remains either 75 or 50 percent of the average yield. On any acreage released by the Corporation because of damage occurring after it is too late to replant to cotton but before the first cultivation, the coverage will be 40 percent of the maximum insured production. On any acreage released by the Corporation because of damage occurring after the first cultivation but before the beginning of harvest, the coverage will be 75 percent of the maximum insured production. On any acreage not released by the Corporation, the indemnity will be three-fourths of the computed loss based on the maximum insured production - the other one-fourth represents savings in harvesting and ginning costs on the cotton not produced. These lower coverages do not penalize the insured grower but merely keep him from making more out of a loss than he would out of producing a crop.

The table below shows the maximum insured production for both 75 and 50 percent insurance as well as the respective coverages for the progressive stages of production. To use this table, the first step is to obtain the farm average yield from the agent's list of farm yields and premium rates. Then, in column 1 of the table, locate the figure nearest the average yield for the farm (e.g. If the farm average yield were 228 pounds, the figure in column 1 nearest this average yield would be 230 pounds). After locating the yield figure in column 1, follow horizontally across the table to the applicable column for 75 or 50 percent insurance.

TABLE

75% Maximum Insurance				50% Maximum Insurance			
Average yield		Maximum on acreage		Maximum on acreage		Maximum on acreage	
insured		released		insured		released	
production		after first cultivation		production		after first cultivation	
but before harvest		before first cultivation		but before harvest		before first cultivation	
Pounds per ac.	Pounds per ac.	Pounds per ac.	Pounds per ac.	Pounds per ac.	Pounds per ac.	Pounds per ac.	Pounds per ac.
100	75	56	30	50	37	20	
105	79	59	32	52	39	21	
110	82	61	33	55	41	22	
115	86	64	34	57	43	23	
120	90	67	36	60	45	24	
125	94	70	38	62	46	25	
130	97	73	39	65	49	26	
135	101	76	40	67	50	27	
140	105	79	42	70	52	28	
145	109	82	44	72	54	29	
150	112	84	45	75	56	30	
155	116	87	46	77	58	31	
160	120	90	48	80	60	32	
165	124	93	50	82	61	33	
170	127	95	51	85	64	34	
175	131	98	52	87	65	35	
180	135	101	54	90	67	36	
185	139	104	56	92	69	37	
190	142	106	57	95	71	38	
195	146	109	58	97	73	39	
200	150	112	60	100	75	40	
205	154	115	62	102	76	41	
210	157	118	63	105	79	42	
215	161	121	64	107	80	43	
220	165	124	66	110	82	44	
225	169	127	68	112	84	45	
230	172	129	69	115	86	46	
235	176	132	70	117	88	47	
240	180	135	72	120	90	48	
245	184	138	74	122	91	49	
250	187	140	75	125	94	50	
255	191	143	76	127	95	51	
260	195	146	78	130	97	52	
265	199	149	80	132	99	53	
270	202	151	81	135	101	54	
275	206	154	82	137	103	55	
280	210	157	84	140	105	56	
285	214	160	86	142	106	57	
290	217	163	87	145	109	58	
295	221	166	88	147	110	59	
300	225	169	90	150	112	60	
305	229	172	92	152	114	61	
310	232	174	93	155	116	62	
315	236	177	94	157	118	63	

TABLE (Cont'd)

75% Maximum Insurance				50% Maximum Insurance			
Average:		Maximum:		Average:		Maximum:	
yield	insured	on acreage:	Coverage released :	yield	insured	on acreage:	Coverage released :
production	after first	released	before first	production	after first	released	before first
:	cultivation	but before	cultiva-	:	cultivation	but before	cultiva-
:	harvest	:	tion	:	harvest	:	tion
Pounds	Pounds	Pounds	Pounds	Pounds	Pounds	Pounds	Pounds
per ac.:	per ac.:	per ac.:	per ac.:	per ac.:	per ac.:	per ac.:	per ac.:
320	240	180	96	160	120	64	
325	244	183	98	162	121	65	
330	247	185	99	165	124	66	
335	251	188	100	167	125	67	
340	255	191	102	170	127	68	
345	259	194	104	172	129	69	
350	262	196	105	175	131	70	
355	266	199	106	177	133	71	
360	270	202	108	180	135	72	
365	274	205	110	182	136	73	
370	277	208	111	185	139	74	
375	281	211	112	187	140	75	
380	285	214	114	190	142	76	
385	289	217	116	192	144	77	
390	292	219	117	195	146	78	
395	296	222	118	197	148	79	
400	300	225	120	200	150	80	
405	304	228	122	202	151	81	
410	307	230	123	205	154	82	
415	311	233	124	207	155	83	
420	315	236	126	210	157	84	
425	319	239	128	212	159	85	
430	322	241	129	215	161	86	
435	326	244	130	217	163	87	
440	330	247	132	220	165	88	
445	334	250	134	222	166	89	
450	337	253	135	225	169	90	
455	341	256	136	227	170	91	
460	345	259	138	230	172	92	
465	349	262	140	232	174	93	
470	252	264	141	235	176	94	
475	356	267	142	237	178	95	
480	360	270	144	240	180	96	
485	364	273	146	242	181	97	
490	367	275	147	245	184	98	
495	371	278	148	247	185	99	
500	375	281	150	250	187	100	
505	379	284	152	252	189	101	
510	382	286	153	255	191	102	
515	386	289	154	257	193	103	
520	390	292	156	260	195	104	
525	394	295	158	262	196	105	
530	397	298	159	265	199	106	
535	401	301	160	267	200	107	
540	405	304	162	270	202	108	
545	409	307	164	272	204	109	
550	412	309	165	275	206	110	

75% Maximum Insurance				50% Maximum Insurance			
Average yield	Maximum insured production	Coverage on acreage released after first cultivation but before harvest	Coverage on acreage released before first cultivation	Average yield	Maximum insured production	Coverage on acreage released after first cultivation but before harvest	Coverage on acreage released before first cultivation
Pounds per ac.	Pounds per ac.	Pounds per ac.	Pounds per ac.	Pounds per ac.	Pounds per ac.	Pounds per ac.	Pounds per ac.
555	416	312	166	277	208	111	
560	420	315	168	280	210	112	
565	424	318	170	282	211	113	
570	427	320	171	285	214	114	
575	431	323	172	287	215	115	
580	435	326	174	290	217	116	
585	439	329	176	292	219	117	
590	442	331	177	295	221	118	
595	446	334	178	297	223	119	
600	450	337	180	300	225	120	
605	454	340	182	302	226	121	
610	457	343	183	305	229	122	
615	461	346	184	307	230	123	
620	465	349	186	310	232	124	
625	469	352	188	312	234	125	
630	472	354	189	315	236	126	
635	476	357	190	317	238	127	
640	480	360	192	320	240	128	
645	484	363	194	322	241	129	
650	487	365	195	325	244	130	
655	491	368	196	327	245	131	
660	495	371	198	330	247	132	
665	499	374	200	332	249	133	
670	502	376	201	335	251	134	
675	506	379	202	337	253	135	
680	510	382	204	340	255	136	
685	514	385	206	342	256	137	
690	517	388	207	345	259	138	
695	521	391	208	347	260	139	
700	525	394	210	350	262	140	
705	529	397	212	352	264	141	
710	532	399	213	355	266	142	
715	536	402	214	357	268	143	
720	540	405	216	360	270	144	
725	544	408	218	362	271	145	
730	547	410	219	365	274	146	
735	551	413	220	367	275	147	
740	555	416	222	370	277	148	
745	559	419	224	372	279	149	
750	562	421	225	375	281	150	
755	566	424	226	377	283	151	
760	570	427	228	380	285	152	
765	574	430	230	382	286	153	
770	577	433	231	385	289	154	
775	581	436	232	387	290	155	
780	585	439	234	390	292	156	
785	589	442	236	392	294	157	
790	592	444	237	395	296	158	

